



Arizona State Retirement System

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Employer Information

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Alternate Contribution Rate Q & A

During the 50th Legislature-First Regular Session the Arizona Legislature passed Senate Bill 1609, which requires the ASRS to administer an Alternate Contribution Rate (ACR) to ASRS participating employers that employ ASRS retirees who return to work.

The legislation calls for an ACR to be charged to and paid by the employer. The provisions, contained in Arizona Revised Statutes (A.R.S) § 38-766.02, became effective July 1, 2012.

Below is a Q&A series to aid employers' understanding, administration, and application of the ACR.

When is the ACR effective?

The ACR became effective on July 1, 2012 and applies only to wages earned on and after that date. Pay periods which began prior to July 1, 2012 and end on or after July 1, 2012 must be split for ACR purposes. This is only applicable for the initiation of the ACR and is contrary to conventional reporting of active contributions, in which pay periods are not split and one rate is applied to an entire pay period based upon the rate in effect on the Pay Period Ending (PPE) date.

Is there a grandfather clause?

There is no grandfather clause. The ACR applies to all ASRS retirees regardless of when they retire, when they return to work, or how long they wait before returning to work.

For which ASRS retirees is the ACR applicable?

The ASRS employer shall remit to the ASRS contributions determined by the ACR for each ASRS retired member who returns to work in a position that would be considered an employee position of the employer. The ACR applies to all ASRS retirees who return to work for an ASRS employer regardless of early or normal retirement status and regardless of the number of hours worked in a pay period. The ACR also applies to all ASRS retirees who return to work in any capacity in a position ordinarily filled by an employee of the employer. The ASRS retiree may return to work either as a direct hire, as an independent contractor, or as an employee of a leasing company. The determining factor is whether that returning retiree works in a position that would be considered an employee position of the employer.

The term "employee position" is used to differentiate such positions from leasing companies that, for example, may supply all janitorial, food service, and/or bus transportation services for which such positions are not considered employee positions of the employer. In other words, a class of positions provided by a leasing company is not considered employee positions of the employer. However, a teacher, for example, who returns to work through a leasing company (such as SmartSchools or ESI), would be filling an employee position of the employer and the ACR would apply.

What is the ACR this year, and how is it determined?

For Fiscal Year 2012-13, which began July 1, 2012, the ACR is 8.64%. The ACR is determined on an annual basis along with the regular contribution rates (pension and LTD) for eligible employees and employers. The rates are approved by the ASRS Board of Trustees typically in November for the following fiscal year beginning July 1. This determination by the Board is made following a presentation by the ASRS actuary on the annual actuarial valuation of the plan. The ACR shall not be less than 2% in any fiscal year or greater than the regular contribution rate set for employers and is the result of a calculation that determines an amortization of the plan's deficit, if any.

How is the ACR applied?

The ACR will be applied to the compensation, gross salary, or contract fee of an ASRS retiree who returns to work for an ASRS employer. These terms are used to describe the payments made to direct hires, employees of a leasing company, and independent contractors respectively.

Though "compensation," as it pertains to a direct hire, is not defined in § 38-766.02, the term is defined in § 38-711 and shares the same meaning.

A.R.S. §38-766.02 defines "gross salary" as the gross amount paid to a retired member by a leasing company as salary or wages, including amounts that are subject to deferred compensation or tax shelter agreements, for services rendered or that would have been paid to the retired member except for the member's election or a legal requirement that all or part of the gross amount be used for other purposes.

Also, in this statute, "contract fee" is defined as the gross amount paid to a retired member as an independent contractor minus an amount, not to exceed ten per cent, for an administrative fee.

Does the ACR apply to ASRS retirees who are hired to work less than 20 hours per week or less than 20 weeks?

Yes, the ACR applies to the compensation, gross salary, or contract fee earned by ASRS retirees who return to work in any capacity and for any number of hours. For example, if the ASRS retiree is substitute teaching for only one day in a fiscal year, then the employer must pay an amount as calculated by the ACR based on compensation earned for that one day. If an ASRS retiree is engaged to work 10 hours per week, the employer must pay an amount as calculated by the ACR based on compensation earned for working 10 hours per week.

What kind of data is collected for ACR payments?

Employers shall report the retiree's SSN, first and last name, gross pay amount, employer ACR amount, employer reporting unit number and employer number, and retiree return to work type (direct hire, leased, or contracted). The retiree return to work date is required for the first contribution and is then optional on subsequent records from the same employer. The retiree termination date should be provided upon final ACR contribution submission.

What if an employer uses a third party employer for staffing purposes?

If your employer uses a vendor to employ a retired ASRS member, the employer will be responsible for working with the vendor to obtain employee information (e.g., salary information, eligibility, etc.), required for ACR reporting.

How are ACR data and payments submitted to ASRS?

The ACR process is designed to be similar to the existing online contribution reporting system. There are two ways employers can upload the ACR data for each pay period.

- Employers may download a template from the ASRS website, which is a Comma Separated Values (CSV) file. Once the employer completes the information required and saves the file in CSV format, the file can be uploaded to the ASRS website.
- In lieu of the ASRS template provided, a CSV file generated by the employer's payroll system can be uploaded to the ASRS website each pay period.
 - The ASRS CSV file format is available starting on page 20 of the ACR Guide.

- The format for the required header labels is detailed on page 22 of the ACR Guide.
- Employers whose payroll system is unable to produce a compatible CSV file must use the ASRS template provided.

The amount calculated by the ACR shall be remitted on a per pay period basis through the ASRS website. ACR payments must be submitted to ASRS online via Automated Clearing House (ACH). There are no exceptions. If your employer does not yet have an ACH account set up, please refer to the updated ACR Guide, located on the Employers page of the ASRS website.

Can there be multiple files for the same pay period?

Employers may submit multiple files for the same pay period end (PPE) date. For example, one file for PPE 7/7/2012 is submitted with a deposit date of 7/10/2012; another is submitted with a deposit date of 7/13/2012; and a third is submitted with a deposit date of 7/20/2012. All three files are submitted with the same PPE date, and each has a deposit date within 14 calendar days of the PPE.

How frequently is ACR due?

For return to work retirees, ACR payments must be reported by pay period ending date (PPE), which is the same as the PPE date used to submit regular contributions for active, non-retired employees. The appropriate remittance of ACR payments is due 14 calendar days after the last day of the applicable pay period. Any payment received after this date is delinquent and subject to the assessment of late charges until received. The ACR payment due will be calculated automatically based on the compensation paid to the retiree. If the deposit date is delinquent, late charges will automatically be assessed.

Payments are due within 14 calendar days after the last day of the applicable pay period. Late charges will automatically be applied to delinquent payments.

The term “the last day of the applicable pay period” may be different for some employers. Some employers pay weekly, bi-weekly, semi-monthly, or monthly while other employers use different pay periods for different employee classifications and still others may have customized pay period schedules.

An ASRS retiree who works for an employer as an independent contractor or as an employee of a leasing company may not receive payment for their services on a schedule that matches “the last day of an applicable pay period” used for active contributing members. Therefore, to provide employers some degree of flexibility in administering the ACR for eligible ASRS retirees who return to work and to avoid delinquent ACR payments, the following is provided:

- If the ASRS retiree returns to work as a direct hire of the employer, the remittance of ACR payments is due by 14 calendar days after the last day of the applicable pay period commonly used by the employer for its employees in general or for that employee classification in particular, if warranted, and,
- If the ASRS retiree returns to work as an independent contractor or as an employee of a leasing company, the remittance of ACR payments is due by 14 calendar days after the last day of the applicable pay period that is subsequent to
 - The payment for the services rendered by the independent contractor or
 - Payment to the leasing company for the services rendered by the leasing company’s employees.

The employer retains the flexibility to remit ACR payments for those retirees who return to work as independent contractors or as employees of a leasing company on the employer’s normal pay period basis (i.e., using an accrual method) if the employer wishes to do so. However, doing so may cause the employer to make adjustments during the subsequent reporting period if the retiree’s schedule as an independent contractor or as an employee of a leasing company is not reported accurately.

If you are an employer that handles payroll for an ASRS employer, please make sure you have contacted that employer to determine which entity will be submitting ACR payments to ASRS.

Can the employer pass the cost of the contribution required by the ACR on to the employee?

The employer is the entity required by statute to remit the ACR payment. Statute does not address how or from whom the employer could collect the ACR payment that must be remitted to ASRS. How and under what

circumstances the employer may wish to allow return to work retirees to work for that employer is strictly up to whatever agreement(s) the return to work retiree and the employer may reach.

NOTE: This fact sheet does not replace statutory and rule requirements. Arizona Revised Statutes, the Arizona Administrative Code along with the federal code for both the IRS and Social Security Title 218, shall be final authority